

ECONOMIC DEVELOPMENT-TARGETED STATE TAX INCENTIVES

This memorandum was requested to compile an inventory of state tax incentives having a primary goal of promoting economic development. The statistical information was obtained from the Tax Department.

Individual Income Tax		
	2012 Tax Year	
	Claimants	Amount
Research expense credit	152	\$1,253,960
Seed capital investment credit	84	1,545,284
Renaissance zone: Single-family residence credit		
Renaissance zone: Historic property renovation credit		
Renaissance zone: Business purchase or expansion credit		
Renaissance zone: Renaissance fund organization investment credit		
Renaissance zone: Nonparticipating property owner credit		
Total renaissance zone credits	144	1,004,207
Agricultural commodity processing facility investment credit	101	380,427
Biodiesel fuel blending credit (for supplier/wholesaler)	Not reportable	
Biodiesel fuel equipment credit (for seller/retailer)	Not reportable	
Internship program credit	Not reportable	
Microbusiness credit (for increasing employment or property purchases)	Not reportable	
Angel fund investment credit	236	5,584,055
Workforce recruitment credit	Not reportable	
Angel fund investment credit purchased from another taxpayer	26	378,952
Manufacturing automation equipment credit	Takes effect in 2013 tax year	
New or expanding business exemption (deduction)	27	298,314 ¹
Renaissance zone business exemption (deduction)	247	946,947 ²
Total		\$11,392,146

¹This figure is an estimated tax impact calculated by multiplying the total amount of the new or expanding business exemption, which is a deduction from income, by an average individual income tax rate (\$10,392,214 x 2.89%).

²This figure is an estimated tax impact calculated by multiplying the total amount of the renaissance zone business exemption, which is a deduction from income, by an average individual income tax rate (\$32,994,663 x 2.89%).

Corporate Income Tax ¹		
	2012 Tax Year	
	Claimants	Amount
Wage and salary credit	0	\$0
Research expense credit	8	2,781,275
Seed capital investment credit	0	0
Certified nonprofit development corporation credit	0	0
Renaissance zone: Historic property renovation credit		
Renaissance zone: Renaissance fund organization investment credit		
Renaissance zone: Nonparticipating property owner credit		
Total renaissance zone credits	10	2,063,486
Agricultural commodity processing facility investment credit	Not reportable	
Facility construction or retrofit credit: Biodiesel fuel production	Not reportable	
Biodiesel fuel blending credit (for supplier/wholesaler)	Not reportable	
Biodiesel fuel equipment credit (for seller/retailer)	0	0
Internship program credit	Not reportable	
Microbusiness credit (for increasing employment or property purchases)	0	0
Angel fund investment credit	Not reportable	
Workforce recruitment credit	0	0
Facility construction or retrofit credit: Soybean and canola crushing	0	0
Manufacturing automation equipment credit	Takes effect in 2013 tax year	
New or expanding business exemption (deduction)	Not reportable	
Renaissance zone business exemption (deduction)	11	119,528 ²
Total		\$4,964,289

¹The data from the 2012 corporation income tax returns is not complete. Due to fiscal year filers and extensions of time to file, it is possible for a fiscal year corporation income tax return for the 2012 tax year to be filed up to and including September 15, 2014.

²This figure is an estimated tax impact calculated by multiplying the total amount of the renaissance zone business exemption, which is a deduction from income, by the highest corporation income tax rate (\$2,320,935 x 5.15%).

Miscellaneous Incentives

- Coal severance tax exemption for coal used in agricultural processing facilities or for beneficiation for that purpose
- Coal conversion tax exemption of the state's 85 percent share of the tax for a new coal conversion facility
- Fuel tax refunds to agricultural users reduced and the amount transferred to the ethanol production fund
- Oil extraction tax exemption and rate reduction incentives currently triggered off will become effective if oil prices decline to trigger levels.
- Oil extraction tax rate reduction for new well drilled outside the Bakken and Three Forks Formations
- Sales tax exemption for manufacturing and recycling equipment
- Income tax new jobs credit from withholding